



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 11, 2011

TO: Audit Committee

FROM: Don Chadwick 
Division Chief

SUBJECT: **BOARD POLICY TO REQUIRE SPECIFIC COUNTY CONTRACT
LANGUAGE TO HOLD CONTRACTORS MORE ACCOUNTABLE**

Attached is a draft Board policy for your review and comment. We developed the proposed Board policy to further strengthen County contract language and address the concerns we noted during several audits of County contractors. These concerns include:

- The County's ability to recover questioned costs on fee-for-service contracts,
- County contractors continually overbilling the County for rent on contractor-owned facilities, and
- County contractors using program funding to pay excessive executive compensation.

Please call me if you have any questions at (213) 253-0301.

DC

Attachment



Los Angeles County BOARD OF SUPERVISORS POLICY MANUAL

Policy #:	Title:	Effective Date:
0.000	Improve County Contractors' Accountability and Use of County and Program Funds	00/00/00

PURPOSE

To establish standard contract language for County contracts to hold contractors more accountable and to maximize the use of County and program funding.

REFERENCE

Cost Principles for State, Local and Indian Tribal Governments, The Office of Management and Budget (OMB) Circular A-87

Cost Principles for Non-Profit Organizations, OMB Circular A-122

September 2010 Auditor-Controller (A-C) memorandum, "Auditor-Controller Contract Accounting and Administrative Handbook"

POLICY

Audits of County contractors conducted by the A-C noted a need to strengthen County contract language to hold contractors more accountable. The audits noted the following:

- County's difficulty in collecting questioned costs on various fee-for-service contracts.
- Contractors overbilling the County for rent on contractor-owned facilities.
- Contractors using program funding to pay excessive executive compensation.

Therefore, unless conflicting with federal or State guidelines, all new County contracts, renewals and amendments shall require uniform contract language wherever possible to:

- Allow the County to collect questioned costs and limit the amount of unexpended

Draft

- County or program funds retained by the contractors,
- Ensure contractors follow the appropriate federal and A-C's Contract Accounting and Administrative Handbook requirements when billing the County for rent on contractor-owned properties, and
 - Limit the amount of County or program funds used for executive compensation based on County contract or funding source limitations.

County departments with contracts that do not include sufficient language to recover questioned costs may have their General Fund allocations impacted when General Fund revenue is needed to repay the funding sources.

RESPONSIBLE DEPARTMENT

Chief Executive Office
Auditor-Controller
County Counsel
Internal Services Department

DATE ISSUED/SUNSET DATE

Issue Date:

Sunset Date: